California State Senate

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COMMITTEE
ON
BUDGET AND FISCAL REVIEW
SUBCOMMITTEE NO. 3 ON
HEALTH AND HUMAN SERVICES

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

SENATOR
MARK LENO
CHAIR

AGENDA

March 18, 2009
2:30 p.m.
Room 4203

2009-10 Third Extraordinary Session

Informational Hearing on Federal Stimulus Funds:

- SBx3 24 – Children's Eligibility Processing,
  Federal Medical Assistance Percentage (FMAP)

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Subcommittee #3 on Health and Human Services
Senator Mark Leno, Chair

Bill No:	**SB 24xxx**
Author:	**Alquist**
As Amended:	**March 16, 2009**
Consultant:	**Diane Van Maren**
Fiscal:	**Yes**
Hearing Date:	**March 18, 2009**

SUBJECT

Medi-Cal Program: Changes to Medi-Cal eligibility reporting requirements for children.

BACKGROUND—EXISTING STATE LAW

Existing state law establishes the state's Medicaid Program known as Medi-Cal, administered by the Department of Health Care Services (DHCS). The Medi-Cal Program provides health benefits to low-income children, families, pregnant women, and aged, blind and disabled individuals based on specified eligibility requirements as contained in both federal and state law. Existing state law requires most Medi-Cal enrollees to file "Semi-Annual" status reports to maintain Medi-Cal enrollment, including enrollment for children.

Inclusion of children as part of the Semi-Annual Reporting process was enacted in Assembly Bill 1183, Statutes of 2008 (Omnibus Health Trailer Bill), and became effective as of January 1, 2009. Previously, only Annual Reporting was required for children.

AB 1183 also contained a provision that sunsets the Semi-Annual Reporting requirement for children as of January 1, 2012. Therefore, beginning in 2012, Annual Reporting for children (aged 19 years or younger) would be reinstated. Further, it directed the DHCS to provide specified data regarding the change.

BACKGROUND-- FEDERAL STIMULUS REQUIREMENTS

Title V of the American Recovery and Reinvestment Act of 2009 (ARRA) increases the federal share of Medicaid (Medi-Cal in California)--the Federal Medical Assistance Percentage (FMAP) for 27 months (October 1, 2008 through December 2010).

The FMAP increases apply *only* if a state conforms to certain specified requirements as contained in the ARRA. One of the key federal requirements is that states may not have eligibility standards, methodologies or procedures in place that are more restrictive than those in effect as of July 1, 2008. Any state that implemented more restrictive policies since July 1, 2008, has until July 1, 2009, to rescind them. The state would then be *fully* eligible for the enhanced match, retroactive to October 1, 2008.

However, any state that implements more restrictive policies as of July 1, 2008, and rescinds such policies *after* July 1, 2009, will *only* be eligible for the enhanced FMAP beginning with the first calendar quarter that it restored the eligibility policies. Therefore, any state in this situation would sacrifice their enhanced FMAP dollars for all of the preceding period—i.e., from October 1, 2008 until the policy was changed as referenced.

According to the DHCS, California is to receive an increase in FMAP of 11.59 percent from the ARRA which would provide for a 61.59 percent FMAP for the Medi-Cal Program from October 1, 2008 through December 2010. Specifically, this enhanced FMAP would provide California with $10.112 billion in additional federal funds for the 27-month period, assuming the federal requirements are indeed met. (The $10.112 billion in additional federal funds is the most recent estimate available at this time.)

DESCRIPTION OF BILL

This bill, an urgency measure, would make changes to Medi-Cal eligibility reporting for children to enable California to receive its full share of enhanced Federal Medical Assistance Percentage (FMAP) funds for the Medi-Cal Program, and to provide for more comprehensive health care services for children. Specifically, this bill does the following:

1. Makes the Semi-Annual Reporting provisions for children, as contained in Section 14005.25 of the Welfare and Institutions Code, *inoperative* upon enactment of this bill until the enhanced federal funds from the American Recovery and Reinvestment Act of 2009 are no longer available (i.e., at least until December 30, 2010). Therefore, Annual Reporting would become effective upon enactment.

2. Requires the Department of Health Care Services to redetermine, as applicable, the Medi-Cal eligibility of any child who was discontinued from enrollment due to the Semi-Annual Reporting requirement (i.e., from January 1, 2009 to enactment of this bill).

3. Modifies the sunset date for Semi-Annual Reporting from January 1, 2012 to July 1, 2012. Therefore, Semi-Annual Reporting requirements for children would be operative from January 1, 2011 to July 1, 2012, assuming the federal stimulus funds end as of December 30, 2010. After July 1, 2012, Annual Reporting would become operational once more.

4. Deletes DHCS reporting requirements which become moot due to this change.

5. Makes conforming technical changes for consistency in state statute.

FISCAL IMPACT

Adoption of SB 24 (Alquist) in the Third Extraordinary Session would enable California to receive $10.112 billion in additional federal funds for the 27-month period of the federal stimulus legislation. These additional federal Medicaid funds would be used to support the Medi-Cal Program, administered by the DHCS, as well as several other "Medicaid"-related health and human services programs, including some which also use county funds—primarily Realignment Funds--,such as Mental Health Managed Care and the In Home Supportive Services Program. (The $10.112 billion in additional federal funds is the most recent estimate available at this time.)

According to the DHCS, an increase of $101.2 million (General Fund) is necessary to restore Annual Reporting for children. This assumes an expenditure of $9.3 million for 2008-09, and $91.9 million for 2009-2010. It is assumed that 191,488 children will remain eligible for Medi-Cal in 2009-2010 due to the elimination of the Semi-Annual Reporting process.

It should be noted that this $101.2 million (General Fund) expenditure identified by the DHCS accounts for both the continued enrollment of children as specified, as well as necessary budgetary adjustments to account for savings that will not be achieved as assumed in the Budget Act of 2009 (i.e., this legislation adds costs not accounted for in Senate BillX3 1, Chapter 1, Statutes of 2009.)

COMMENTS

As noted above, California did change from Annual Reporting to Semi-Annual Reporting for children enrolled in Medi-Cal through AB 1183, Statutes of 2008 (Omnibus Health Trailer Bill). As such, California is at risk of losing up to $10.112 billion in enhanced federal funds provided through the ARRA if legislation is not enacted by July 1, 2009 to restore Annual Reporting. At a minimum, California would lose at least $3.269 billion in federal funds if this legislation is not enacted by July 1, 2009. This is the amount California would receive for the enhanced FMAP for the period from October 1, 2008 to June 30, 2009.

Independent analyses have shown that Annual Reporting for children is cost-beneficial because it assists in assuring uninterrupted health care coverage and provides a medical home for comprehensive coverage (most children are enrolled in Managed Care). Further, it serves to focus limited state dollars on direct health care services versus administrative paperwork and shifting between programs.

POSITIONS

Support:
County of Santa Clara
County of Sacramento
County of Los Angles
PICO of California, including 100 Percent Campaign, The Children's Partnership, Children NOW and Children's Defense Fund

Opposition:
None on file.